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towards which to travel. Ample revenues can be secured from the land taxes plus the three forms of taxes named first above.

It is not necessary or desirable to enter into a discussion of those various forms of fees and licenses which are now in use in the average American

city. The aim of this article is to state in broad outline what seems sound in principle and workable in practice. The chief emphasis has been thrown on two things,—the federal tax system, and coöperation between the federal and state governments.

The State Tax Commission and the Property Tax

By H. L. LUTZ

Professor of Economics, Oberlin College

THE property tax has been the most important single source of revenue for state and local purposes throughout the greater part of its career in the American colonies and states. This superiority has been maintained in recent times notwithstanding the tendency to diversification of revenue sources, the development or amplification of other taxes such as the income tax, the inheritance tax, and the multitude of corporation taxes. Thus, for the cities of more than 30,000 population, for which financial data are published by the United States Census Bureau, the property tax yielded 61.4 per cent of the total net revenue receipts in 1903, and 64.2 per cent in 1918.¹ For state purposes in all states the proportion of total net revenue receipts contributed through the property tax was 58.7 per cent in 1915 and 50.6 per cent in 1919; although two states, Pennsylvania and Delaware, reported no state receipts from this source in the latter year and the amounts obtained by several other states were trifling, due to the policy of separated sources of state and local revenues.² If we in-

clude the revenues of all other local subdivisions, such as the county, the village, the township and the school district, the proportion of total revenues derived from the property tax in every state becomes even greater. The property tax provided 76.4 per cent of all county revenue receipts in 1913, and 61.1 per cent of all revenue receipts for all incorporated places of 2,500 population and over.³ It is quite evident, therefore, that the property tax has been and will continue to be the great foundation of the local revenue system of the American states and that it is, generally speaking, the most important single resource for the state governments, notwithstanding the extent to which segregation of state revenue sources has been carried.

In view of the present and probable future importance of the property tax, the problem of its efficient and equitable administration becomes one of the most important and significant phases of state and local tax administration. There is quite as much at stake in improving the operation of the property tax as in any other line of administrative reform in taxation that may be undertaken. Obvious as this truth is, there are some states in which it has

¹ United States Bureau of the Census, *Financial Statistics for Cities*, 1918, p. 54.

² *Ibid.*, *Financial Statistics of States*, 1919, p. 33.

³ *Ibid.*, *Report on Wealth, Debt and Taxation*, 1913, pp. 298, 658.

never been perceived, if one may judge by the emphasis, or lack of emphasis, upon tax administration in the tax legislation of recent years. Indeed, the story of the development of tax administration shows that a proper understanding of the real nature of the problem has been gained only with difficulty and only after a long period of costly experiments and more or less stupid blundering. Slow as this development has been, it has produced at last a system of tax administration that is competent, under proper conditions, to administer the property tax with as high a degree of equity and efficiency as may reasonably be expected in the operation of a tax system. I have sketched elsewhere the rise of the modern tax administrative system, and it is my purpose here to review briefly the conditions which must be observed if the administrative organization is to function at its highest efficiency in the supervision and control of the property tax.

THE ADMINISTRATIVE DEVELOPMENT

The administrative development to which reference is made is that which has resulted in the appearance, in upwards of forty states, of a state tax commission, consisting in a few cases of a single commissioner, in one or two others of a board of five, but in the majority of cases of a board of three members. The powers and duties of the state tax commission have sometimes been determined by the course of events in a given state, but in general these commissions have been responsible for at least three principal fields of tax administration: First, the equalization of assessments for the equitable determination of the basis of direct state and local taxes; second, the administration of various taxes on corporations, and of income, inheritance and other taxes of a state-wide

nature when these have been introduced; and third, the supervision of the local officials during the process of original property assessment.

In connection with each of these fields their duties have usually been two-fold, administrative and quasi-judicial. That is, as administrative officers they have actually determined valuations, either by a process of checking, revising and correcting local figures, as in the state equalization, or by an original appraisement and assessment as in the case of the *ad valorem* taxes on corporations or in reassessment proceedings. They have frequently been constituted also the board of review or of appeals with both original and appellate jurisdiction. In this capacity they often sit in judgment upon the results of their own valuations of corporate property, and upon the work of the local officials, as this is brought to them either directly or on appeal from the local equalizing and reviewing authorities. These reviews, whether of their own assessments or of the returns from the local officials, by no means prevent recourse to the courts, but the facts established by the commission usually constitute a *prima facie* case in any subsequent legal proceeding.

The relative importance of the functions of the tax commission, as well as the emphasis upon the administrative or the quasi-judicial point of view, varies considerably in different states according to the course of development of the local tax system and according to other local factors, political and otherwise. From the experience and practice of some of the more successful states, we may determine the powers and duties which the tax commission ought to possess for the proper administration of the property tax, and to the exercise of which there should be no impediment or obstacle

of political partisanship, local special influence or of any other sort.

These powers and duties relating to the property tax may be summed up as follows, placing them in the natural order of their exercise in the course of the operation of this tax: First, the supervision of the original assessment process; second, the review and equalization of the original returns, or of the returns from the lower equalizing and reviewing boards; and third, the initiation and direction of reassessments, and, if necessary, of removal proceedings against delinquent local officials. Not all of the tax commissions possess adequate authority in all of these fields, but experience shows clearly enough that these are minimum requirements. Their proper realization requires such degree of legislative coöperation as will permit the organization of a proper type of local tax administration and such measure of coöperation on the part of the executive as will insure fearless, impartial and intelligent administration by the tax commission. Needless to say, it is far from easy to provide and maintain these ideal conditions, and it has often come about, therefore, that the state tax commission has had to perform its work under handicaps that have permitted only an indifferent attainment of the standards set before it.

The experience of Ohio affords an illustration in point. When the tax commission act was drafted in 1910, chief emphasis was laid upon the work of original corporate assessment, since the tax commission was apparently thought of mainly as the successor to the series of boards of corporate assessment that had been created during the preceding seventeen years. Comparatively little stress was laid upon the task of local supervision, although the conditions of property assessment under the old order should have been

a sufficient warning against this attitude. There was general confidence, however, in the efficacy of the program of separate sources of state and local revenue as a remedy for the evils of the state equalization as it had been practiced, and the commission itself took its cue from the statutory emphasis. The administrative provisions of the tax law were changed by each succeeding biennial legislature to 1917, and no administrative policy was allowed a fair trial. As a result, the tax commission was obliged to mark time, an attitude which was not wholly discouraged by the chief executives during this period, and in 1920 there were many counties which had undertaken no general reassessment of real property since 1910. The commission ordered a general reappraisal, an act unquestionably within its statutory powers, but the counties had been free of any effective central supervision for so long that they felt perfectly competent to question the commission's authority. In response to the storm of protest the governor requested a reconsideration of the order, the opponents of revaluation rallied their forces, and the order was blocked, thereby setting at naught the full value principle, the most fundamental rule of property taxation. With an adequate conception of the importance of the property tax and a proper concern for its equitable operation such a situation could never have arisen. Under it the counties which have observed the law are being heavily penalized this year (1921) because of the recent rapid increase of the state direct tax, and some of them are already taking steps to bring about a competitive reduction of their duplicates in order to lessen or avoid this penalty in future. The progress of a decade is in danger of being undone by reason of lack of courage and of vision on a fundamental issue.

CENTRALIZATION

The work of the tax commission in connection with the property tax naturally begins with the original assessment by the local officials. Much has been said in favor of a complete centralization of this assessment procedure, and it was actually undertaken in Ohio in 1913, but that law stood only until the next session of the legislature. There is everywhere in the United States a natural and logical preference for local autonomy and a varying degree of prejudice against excessive centralization of administrative authority. The state tax commission has had to recognize these antipathies and often to secure its results in the face of a considerable local opposition. Because of the nature and history of our institutions a complete centralization of the assessment process would doubtless be unwise; and it would certainly be unnecessary so long as a proper degree of supervisory control can be assured and a sufficient opportunity is afforded to the tax commission for leading and guiding the local assessors in determining the original assessment.

The most important problem of supervision is the establishment and maintenance of proper standards for the local assessors. The tax law and even the constitution of many states contain phrases to the effect that property shall be assessed at its true value in money. Even in those states which have legalized assessment at a percentage of full value, the latter concept is the vitally significant one rather than the result of the percentage calculation. But the phrase "true value in money" is a lifeless expression to the average local assessor until it has been vitalized by the inspiring instructions, counsel and admonitions of the tax commission. Optional ac-

ceptance of the commission's suggestions is always damaging, as the experience in Washington has shown. The assessor accepts the more willingly the advice and leadership of the tax commission when he is fully aware of the iron hand within the velvet glove. The possession of mandatory powers is an excellent guarantee against the necessity for their frequent use, and the tactful tax commission will always seek to establish a relationship with the local assessors based on mutual confidence rather than on compulsion. The commission's principal task is to keep the assessors thinking in terms of full value assessment and it requires eternal vigilance to sustain them on this elevated plane of simple compliance with the law.

The tax commission's responsibility for the maintenance of the proper legal standard does not stop with advice and suggestions, but extends to the development of various practical methods and the prescription of the necessary equipment for the proper assessment of property. The morale and aggressive enthusiasm of the assessors are sustained by conferences of officials at the state house, district gatherings under the leadership of a member of the commission, and visits to the counties and the assessment districts. Through these and other channels the information which comes to the commission regarding property values is disseminated, the tax law is construed and made plain, the proper use of the prescribed record books, blanks and forms is explained. In many states there are complete land maps available for the proper listing of real estate, and some of the commissions have prepared elaborate instructions to guide the assessors in assessing buildings, merchandise and other forms of property. The Wisconsin commission has set an admirable standard in this respect.

The most active supervision of the original assessment will not wholly suffice, however, for the detection and correction of all inequalities in valuation. The tax commission should possess extensive powers of review and equalization which should not stop at a mere adjustment among counties, but which should extend down to the local taxing districts, to any class of property, and, if necessary, to the individual assessments. The mere possession of such powers is in this instance also insurance against the necessity of excessive use. If the tax commission is actively equipping itself with such knowledge of the facts as will enable it to check up and correct the local return, the very existence of these data and the possibility of their use act as a powerful incentive to the local officials. The increase in the achievements of the Wisconsin assessors as a result, in part, of the vigorous equalization by means of the sales method, is an excellent illustration of the value of preventive measures. The tax commissions in Kansas, Michigan and Minnesota have also demonstrated very effectively the value of thorough-going powers of equalization and review.

Finally, there may arise cases in which neither supervision nor equalization after the fact will suffice. The tax commission's responsibility for the equitable operation of the property tax can not be fully met without the further authority to order or initiate reassessment proceedings, or even to effect the removal of the local assessor when this seems necessary. The results of the reassessments undertaken in Wisconsin and Minnesota reveal the value of such authority and the wisdom of granting it to the tax commission. Removals will be infrequent for, in general, the local officials are willing and anxious to do their work properly,

provided it is made easier to do it in this manner than in a slipshod and indifferent manner. The right of removal is very important, however, as a means of moral suasion and for the protection of the taxpayers themselves in the rare cases of sheer insubordination or delinquency that may be encountered, and the tax commission should possess it. It is a power which should be exercised directly wherever possible, rather than by bringing the case before a court, as may be required by some state constitutions.

The possession and exercise of these rather drastic powers of administrative oversight and control do not and should not militate against any proper exercise of the principles of local self-government. The assessors and other local officials may be elected or otherwise chosen by the people of the district in which they are to serve. The removal of these officials will be resorted to only in the most extreme cases and under such circumstances that the best interests of the electors themselves will be served by such action. The correction and adjustment of the original returns is in no sense a violation of local autonomy, since the locality has had a chance to do the thing properly and failed. In establishing and maintaining standards of performance in the assessment of property the state is going no further in tax administration than it has gone in many other lines of social endeavor, and the test of the wisdom of such centralization must be, in taxation as in other fields, the maximum advantage for the whole people.

While this program does not militate against a proper conception of local autonomy it does, however, emphasize the importance of adapting the local organization to the fact of central control in such a manner as will yield the best results from the policy of state

supervision. The plan of small assessment districts, with an elected assessor who attends to the task of property assessment for a few weeks or months only during the year and for a very small *per diem* compensation, does not permit the best results from the property tax, whether there be state supervision or not. Under such circumstances, much of the commission's supervisory authority is wasted, for the local personnel changes frequently and there is little enough incentive at best to develop and maintain a genuine interest in the work. The task of equitable and efficient property assessment is sufficiently important in practically every part of the United States to warrant the development of a type of local administrative organization that would be adequate to this task. This means larger assessment districts, a much more competent personnel with much higher salaries and much greater security of tenure than are provided at present in many places. Under these conditions, the tax commission would be able to build up traditions of achievement and would be able to rely upon the cumulative effect of its instructions and guidance. The assessment of property would be a continuous process, performed by a skilled staff who were employed the year round in collecting the data upon which to base the official assessed valuation. Usually the county would be a unit sufficiently large to permit the establishment of such an organization, with a county assessor in charge. In some rural sections a grouping of counties might be necessary, in which case there should be a district assessor in general charge, under the direct control of the tax commission, as all of the county assessors should be. The county or district assessor becomes the logical person through whom the tax commission

would administer other taxes as these develop, such as the income tax, the inheritance tax and others. In Wisconsin the income tax assessor has been made the county supervisor with administrative responsibility for the property tax as well as for the income tax.

CONCLUSION

In view of the present and probable future importance of the property tax and of the state tax commission in the administration of this tax, it seems reasonably safe to conclude that the latter will continue to be a recognized part of the state administrative organization. Sporadic instances of reaction appear from time to time in different states, inspired on some occasions by the exigencies of shifting political control and on others by the cheerful idiots who usually abound in state legislatures, ready to introduce any and every sort of ill-considered measure. Generally speaking, attacks of this sort will be estimated at their true worth by any sensible legislature.

More serious are some of the proposals for disposing of the tax commission that have been advanced in connection with various recent plans for the reorganization of state governments. These proposals have usually suggested either a single tax commissioner instead of the board of three, or some degree of subjection to a department of finance which is usually to be under the general headship of a director of finance.

I have elsewhere summarized the case in favor of the board or commission of three members, as against either the single tax commissioner type or the larger board. While the single commissioner type has been very efficient in some states, notably Massachusetts and Connecticut, the balance of the argument seems to be in favor of the

commission of three members, chosen on the basis of their qualifications and without regard to their political affiliations, but with a long tenure of office and an adequate compensation.¹ In my judgment the case is clear in favor of the commission of three members in all of the states larger in area, population and wealth than the New England states. One tax commissioner is better than none, but it would be a backward step and a false economy to reduce a commission of three to this type. Such a move would inevitably mean a more complete delegation of authority and responsibility to clerical subordinates, greater overloading of the man at the top and lessened efficiency. The loss would be especially apparent at any change of incumbency.

It would be even more unwise to subordinate the tax commission to a director of finance in a department of finance. The commission would thus become simply one of many bureaus and its members would be demoted to mere clerkships, a position of dependency and subordination which would effectively deprive them of all opportunity for inspiring guidance and leadership, and of practically all corrective and coercive authority. As the functional head of the tax system, the tax commission may be regarded with respect and its leadership followed with confidence. As a clerical division it could hardly inspire either respect or awe, while it would be deprived of all opportunity for leadership. The prestige value of its position as an independent state board, subject to no outside influence and control, is an important source of the tax commission's power. Clerical subordinates would be about as successful in generating genuine enthusiasm and respect for the full value law among the asses-

sors as hired mourners would be in arousing sympathy at a funeral.

The reorganization code recently introduced into the Ohio legislature apparently preserves the independence of the tax commission, but in reality destroys it in large measure by requiring that the director of finance shall be, *ex officio*, secretary of the commission. Since the director of finance is appointed by the governor, for a term not longer than that of the chief executive, it is evident that such an arrangement ties the commission's hands in an exasperating way, while at the same time it opens the door for all manner of subtle influence on the commission from the executive chamber. The staff of the commission is considered to be in the department of finance, except insofar as the governor may decide that employes or experts shall be outside this department. With these points of vantage, the governor and the finance director will properly regard the tax commission as a mere appendage to the finance department, and the assessors will not be long in discovering the same fact.

It is impossible to find in the program of the separation of the sources of state and local revenues an adequate ground for depriving the state tax commission of its responsibility for the results of the local assessment. Even in those rather rare instances in which the separation has been absolutely complete the whole necessity for an equalization is not removed. There remains the problem of an equitable distribution of the local tax burden as among the various taxing districts of the county and as among different classes of taxpayers, especially individual and corporate. And to the extent that the separation is only partial, which is by far the more common and familiar situation, the

¹H. L. Lutz, *Ap. Cit.* ch. iv.

necessity for central supervision and equalization becomes the more compelling. The inelasticity of the indirect sources of state revenue compels, sooner or later, a return to the property tax as a source of state revenue. It is rather futile, therefore, to rely on separation to secure indefinite postponement of the obligations which are involved in the property tax.

The experience of Ohio may again be cited. Here the condition of local assessment during the decade after 1910 was condoned in a spirit of blind reliance on the policy of complete separation of revenue sources, and the undervalued counties were allowed to remain low through this period on the ground that no harm was being done. The inadequacy of the sources of state revenue forced resort to the direct property tax, and various projects are pending, including the soldier bonus, which afford little real prospect of permanent reduction by this tax. Equalization and effective central control became important just as the *laissez faire* policy was triumphing, and we are in this state beginning to reap the penalty of substituting segre-

gation for vigorous administrative methods and a proper conception of leadership in taxation.

Throughout this article I have defended the idea of state control of the operation of the property tax, with a reasonable degree of centralization to that end. I am not contending, however, that administrative improvement will wholly obviate the necessity of improvements in the tax system. On the other hand, all the evidence points to the conclusion that the efforts of the state tax commissions to compel the listing of intangibles for taxation as property at high local rates have been little more successful than the unaided efforts of the local assessor. In other words, centralized administration, however drastic, is not the whole solution of the difficulties of the general property tax, that is, the uniform rule. It is equally clear, though, that the successful operation of any system of property taxation can not be achieved without adequate administrative control, so that we find the tax commission an essential feature of the administrative structure, whatever the changes in the form of the tax system itself.